



Section	04	ENCUMBRANCES	Effective Date	7/1/2015
Sub-section	04	Cancellation of Prior Year Encumbrances	Revision Date	3/31/2015

PROCEDURES

CANCELLATION OF PRIOR YEAR ENCUMBRANCES

Rules regarding canceling prior year encumbrances differ by type of appropriation. If encumbrance and allotment authority have been carried over from the previous fiscal year, the funds can be used for the encumbered purpose only. If a residual encumbrance balance exists after payment is made during the current year, the encumbrance should be canceled as follows:

- Annual Appropriation The encumbrance lapses at the end of the current fiscal year.

- Biennial Appropriation
 - 1st year: The encumbrance lapses at the end of the biennium.
 - 2nd year: Encumbrance carryovers from first year of biennium can be canceled at any time during second year of biennium.

- Continuing Appropriation The encumbrance can be canceled at any time.

When liquidating prior year encumbrances carried forward from appropriations which, by definition, lapse at the close of the fiscal year in which the encumbrance was created, all unused funds must be lapsed and cannot be used for other program purposes. In addition, carry-forward funds can only be used for their specific planned purpose. Any changes in plans (items and/or services) should result in lapsing of the funds. Conditions such as vendor's inability to deliver may result in a change in vendors without necessitating the lapsing of funds provided the goods and intended purpose remain the same. In such cases, an explanation of the change should be submitted with the transaction.